EDMONTON ECONOMIC BASE ANALYSIS

FINAL REPORT

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& ASSOCIATES LTD.

JULY 1985

THE CITY OF Edmonton PLANNING AND BUILDING

EDMONTON ECONOMIC BASE ANALYSIS

Final Report

Prepared by:
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Long Range Planning Branch
Planning and Building Department

and

David J.A. Douglas and Associates Ltd.

July, 1985

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ACKNOWLEDGMENTS

We would like to express our appreciation of the trust and input of City Council and the Executive Committee. The kind cooperation of the seven member panel of senior business representatives is gratefully acknowledged. Likewise, we would like to thank the 140 business people who responded to our survey. The assistance of Statistics Canada and the Alberta Bureau of Statistics was of great importance to the successful execution of this assignment. All conclusions and recommendations are of the sole responsibility of the Project Team.

PART 1

BACKGROUND

PART 1 - BACKGROUND

I CONTEXT, ISSUES AND OBJECTIVES

- The question of economic development has assumed a high priority for Edmonton. During the 1970s and early 1980s, Edmonton experienced sustained, high economic growth. However, an economic recession occurred in Alberta over 1982 to 1984, with significant impacts on Edmonton. There are now some signs of a selected economic recovery led in the main by the energy sector. The issue now facing Edmonton is how it should respond to maximize opportunities and resolve a number of short term and longer term economic issues facing the City.

- In mid-1984, the Corporate Forecasting Group of the City's Planning and Building Department initiated the preparation of a project design to undertake an analysis of the City's economy and to set out its development prospects. The Mayor's Office and the Edmonton Economic Development Authority (EEDA) were partners, with the Department, in pressing for an assessment of potentials, problems and prospects. Draft terms of reference were drawn up on September 28, 1984; through November and December these were refined and initial work started on the data base. The terms of reference were formally approved by the Executive Committee of Council on January 23, 1985 and a consultant was retained. From there, the consultant, the Corporate Forecasting Group, the Mayor's Office and EEDA conducted the project. The project was completed, as per schedule, in mid-June 1985.

- The following were the principal objectives of the project:

  1. Increase the understanding of the structure, dynamics and development performance of Edmonton's economy.

CHART 1 - OUTLINE OF THE PROCESS

PHASE 1 - ECONOMIC PROFILE

- Canada GDP 1971-84
- Alberta GDP 1971-84
- Inter-Urban Comparisons
- Performance
- Major Growth Factors
- Investment/Job Creation

↓

PHASE 2 - SECTORAL ANALYSIS

- Sectoral Profile of City
- Sectoral Growth Comparisons
- Growth Factors
- Investment/Job Creation

↓

PHASE 3 - ECONOMIC PROSPECTS

- Macroeconomic Forecasts
- "Job Gap" Analysis
- Survey of Business Re: 1985-87
- Business Panel
- Compilation of Other Forecasts
- Development Scenarios
- Assessment of Prospects

↓

PHASE 4 - IMPLICATION ASSESSMENT

- Identify Major City Programmes to be Impacted
- Impact Measures
- Identify Fiscal Implications of "Economic Outlooks"

↓

PHASE 5 - POTENTIAL TARGET SECTORS AND INDUSTRIES

- Short List Major Sectors for Development Opportunities
- Identify More Specific Industries for Opportunities

↓

PHASE 6 - FINAL REPORT

- Consolidate Working Papers
- Identify Action Agenda and Project Follow-Up Priorities

2. Identify critical weaknesses and strengths in the urban economy and assess the competitive economic performance of Edmonton.

3. Create a basic data base for referral, ongoing analysis and the monitoring of future economic development.

4. Identify the key past and future economic and other factors influencing the nature and pace of development of the urban economy.

5. Determine the most likely prospects for the urban economy for the 1984-1991 period.

6. Identify the major municipal finance, economic development and other related implications of the prospects.

7. Identify areas of potential economic opportunities.

8. Set out general guidelines for future economic development programs.

9. Set out recommendations for follow-up activities and the use of the project's outputs in community economic development for Edmonton.

. This report is an <u>analysis</u> of Edmonton's economic base, establishing the facts in detail and setting out a reasonable and defensible assessment of the urban economic prospects. The report is <u>not</u> a strategic development plan, nor is it a promotional document; rather, it is a key ingredient to making these two activities more cost-effective and relevant to Edmonton's economic prospects.

II <u>PROCESS</u>

. The general process for the project is outlined in Chart 1 opposite. There were six phases, as follows:

Phase 1 - Economic Profile: Macroeconomic Performance

- A quantitative analysis of the growth of the Edmonton economy 1971-1984 in the context of Canada and Alberta and in comparison to a number of other competing metropolitan centres.

Phase 2 - Sectoral Analysis

- An analysis of the structure of the Edmonton economy and the performance of individual industries and sectors.

Phase 3 - Economic Prospects

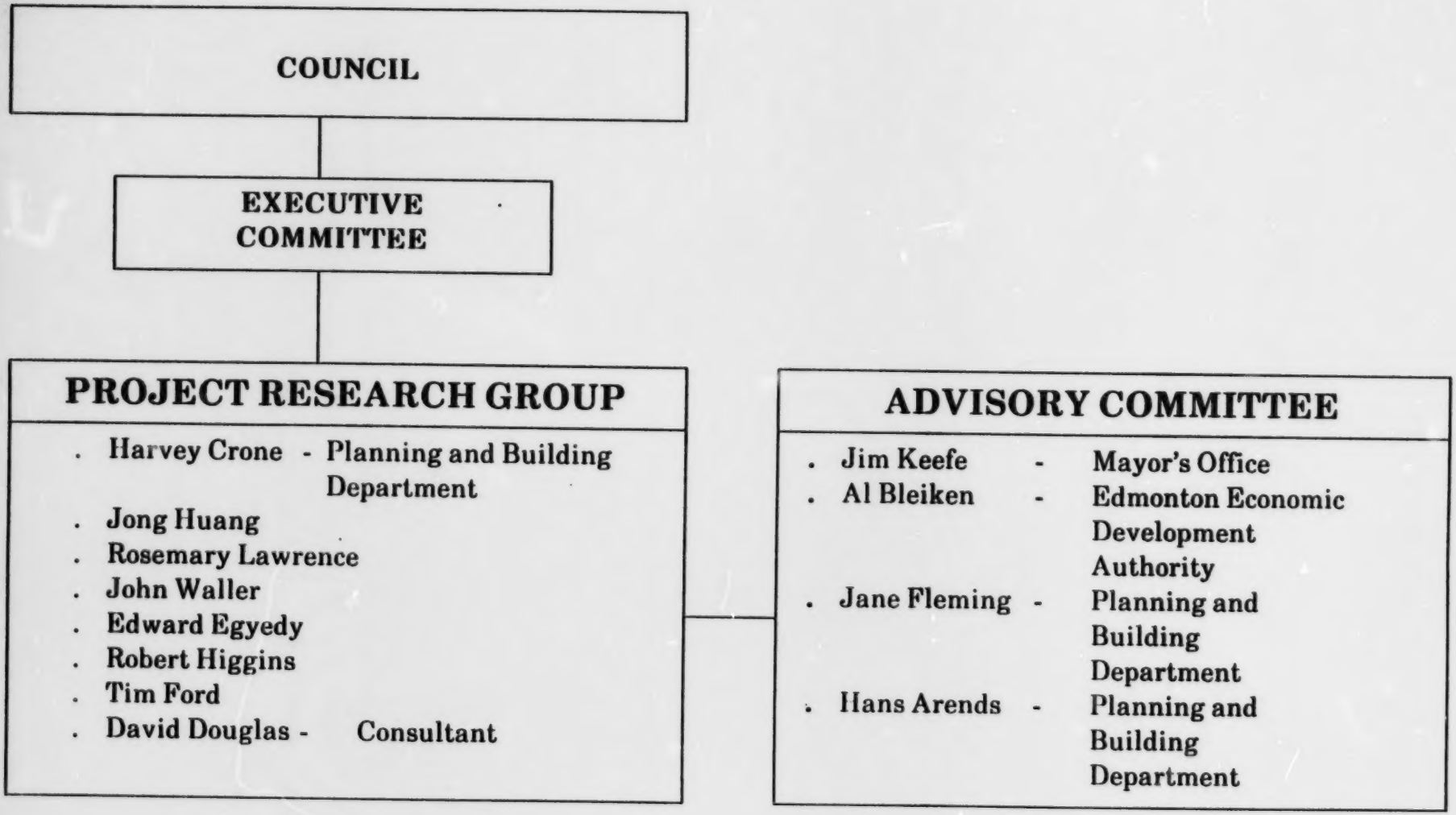
- The preparation of a series of "economic outlooks" for the Edmonton economy for the 1984-1991 period. These included two computer-based models, a survey of 140 businesses in Edmonton regarding the 1985-1987 prospects, the preparation of a major resources development impact scenario and the use of a panel of senior business executives from Edmonton as a source of scrutiny, intelligence, second opinion and critical assessment of the forecasts and emerging conclusions.

Phase 4 - Implication Assessment

- An assessment of the fiscal impacts of the various "economic outlooks" and other implications regarding job creation and economic development policies and practices.

CHART 2

PROJECT ORGANIZATION


COUNCIL
EXECUTIVE COMMITTEE
PROJECT RESEARCH GROUP
. Harvey Crone - Planning and Building Department
. Jong Huang
. Rosemary Lawrence
. John Waller
. Edward Egyedy
. Robert Higgins
. Tim Ford
. David Douglas - Consultant
ADVISORY COMMITTEE
. Jim Keefe - Mayor's Office
. Al Bleiken - Edmonton Economic Development Authority
. Jane Fleming - Planning and Building Department
. Hans Arends - Planning and Building Department

Phase 5 - Potential Target Sectors and Industries

- An identification of those industries (e.g., manufacturing) and sectors (e.g., microprocessor manufacturing) which, on the basis of the data available and the analysis conducted, offer the greatest potentials for creating new jobs and revitalizing the urban economy.

Phase 6 - Final Report

- The consolidation of the major findings and conclusions from the Working Papers prepared in the project and the preparation of the Final Report.

- Throughout the process the research team worked closely, through regular meetings, with the Steering Committee and presented a draft set of findings and conclusions to the City's Executive Committee on June 12, 1985.

III PROJECT TEAM

- The project was commissioned and authorized by the Executive Committee of Edmonton City Council. The project team is depicted in the chart opposite. The Research Group conducted the project in terms of developing the terms of reference, the finalized project design, the compilation and analysis of the data base, the preparation of economic forecasts and report writing. The City's Research Group was led by Mr. Harvey Crone, Senior Planner, Corporate Forecasting Group. Other staff from the Corporate Forecasting Group include Mr. Tien-Jong Huang, Senior Economist, and Ms. Rosemary Lawrence and Messrs. John Waller, Edward Egyedy, Robert Higgins and Tim Ford, planners. The consultant, David J. A. Douglas & Associates Ltd. was retained to manage the project assignment, finalize the project design, conduct specific research tasks and coordinate the preparation of the Final Report. The Advisory Committee reviewed team outputs and advised the Research Group on various items.

IV DATA SOURCES

- The major data sources for the analysis for the 1971-1984 materials are identified, by figure, in Appendix A. The employment forecasts were prepared by the Project Team.

V ECONOMIC INDICATORS

- The analysis and forecasts undertaken to achieve the project objectives concentrated on employment. The project was completed with the awareness that the current primary economic issue in Edmonton is employment. Therefore, employment creation should be the important measure of the performance of the urban economy. However, other indicators such as Gross Domestic Product, retail sales, income and investment are used to provide a more complete assessment of Edmonton's economic performance.

PART 2

CONCLUSIONS

FIGURE 1 INDEX OF REAL GDP GROWTH
CANADA AND ALBERTA, 1973–1984

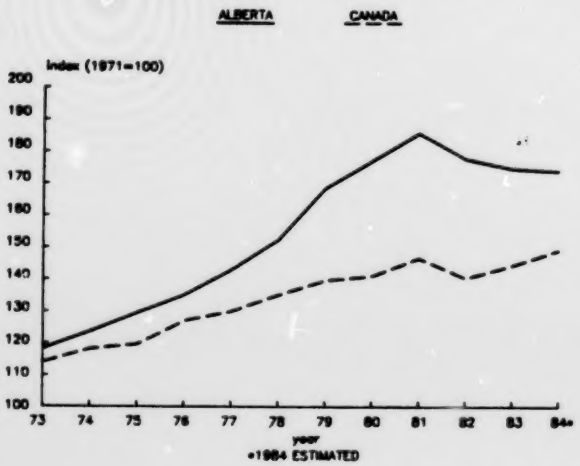
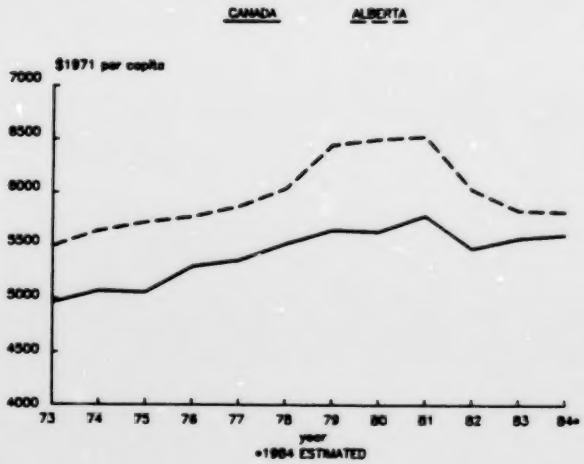


FIGURE 2 REAL GROSS DOMESTIC
PRODUCT PER CAPITA, 1973–1984



LEGEND

AGR – AGRICULTURE
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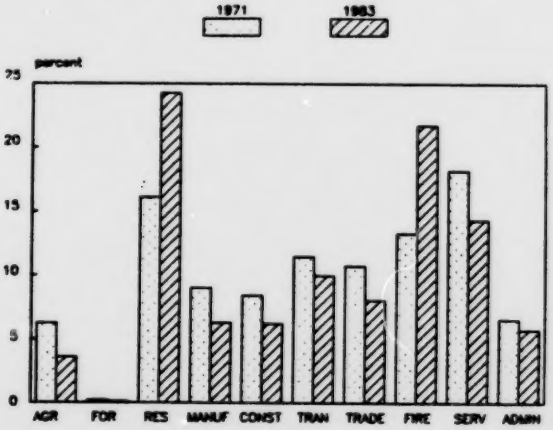
CONST – CONSTRUCTION
TRANS – TRANSPORTATION
TRADE – TRADE
FIRE – FINANCE, INSURANCE & REAL ESTATE
SERV – COMMUNITY, BUSINESS & PERSONAL SERVICE
ADMIN – ADMINISTRATION

FIGURE 3 ALBERTA REAL GDP
BY INDUSTRY DIVISION, 1971,1983



PART 2 - CONCLUSIONS

I THE ALBERTA ECONOMY - CRITICAL CHARACTERISTICS

High Economic Growth 1971-1981 and Then Recession 1982-1984

- The Alberta economy significantly outperformed the Canadian economy over the period 1971 to 1982, with an average growth rate of 6.4% per year in real Gross Domestic Product (GDP) compared to the Canadian rate of 3.7% for the same period (see Figure 1). However, Alberta's growth rate fluctuated widely, ranging from a peak of +10% in 1973 to -4% in 1982.

- Alberta's real GDP dropped 6.0% over 1982 and 1983, after the National Energy Program was introduced and the world oil price dropped from $34 (US) to $29 (US) per barrel in 1982. On a per capita basis, Alberta produced a higher real GDP than Canada throughout 1971 to 1983. In 1980, Alberta's real GDP per capita ($6,498) was over 15% higher than Canada ($4,631), but by 1984 the gap had narrowed to less than 4%, showing the severity and long extended duration of the recession in Alberta (see Figure 2).

Dependence on Energy and Investment

- The Alberta economy is dominated by the energy resources and finance industries. In 1983, the resource industry accounted for 24% and the finance industry for 22% of Alberta's Gross Domestic Product (GDP), or the total value of goods and services produced. These industries were followed distantly by community, business and personal services (14%), transportation (10%) and trade (8%). The manufacturing and construction industries each generated only 6% of Alberta's GDP in the same year (see Figure 3). See Note 1 in Appendix B for a discussion of the source for these figures.

FIGURE 4
ALBERTA REAL GDP GROWTH, 1971–1983

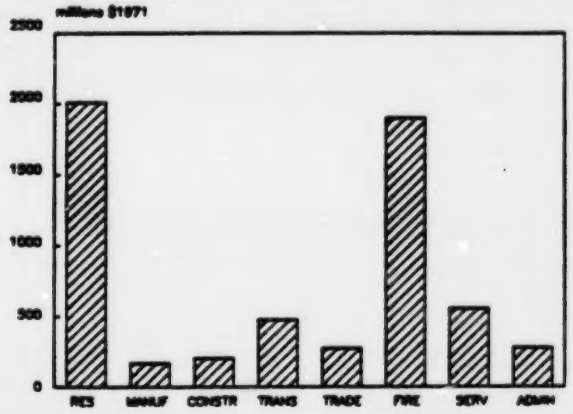


FIGURE 5
INVESTMENT BY INDUSTRY, 1971–1983

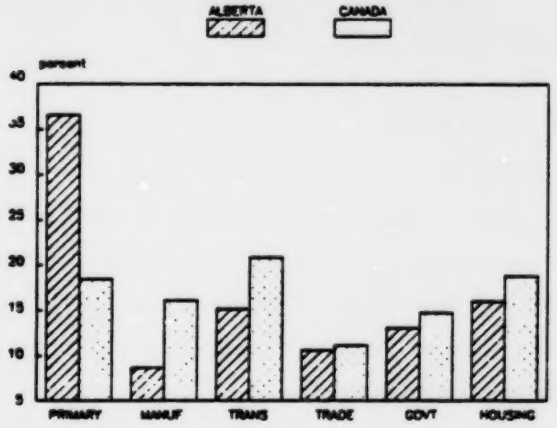
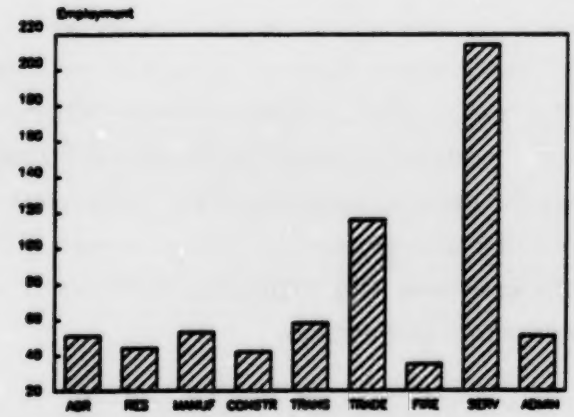


FIGURE 6 ALBERTA EMPLOYMENT
IMPACT PER $10M($1984) ENERGY INVESTMENT



- The largest contributors to total GDP growth in Alberta from 1971 to 1983 were resources (34%), finance (32%) and services (9%) (see Figure 4). However, almost half of the growth in the finance industry division came from resource royalties on oil and gas production, further emphasizing the significance of the resource division as the primary source of Alberta's economic growth. See Appendix C for a listing of the sectors in each industry division.

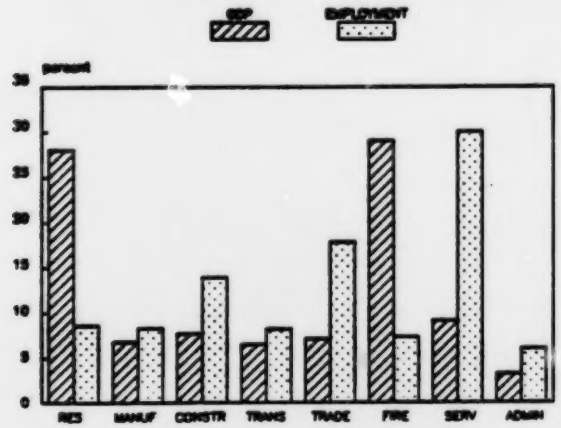
- Alberta has been considerably more dependent on primary and construction industry investment (mainly oil and gas) than Canada. Over 1971 to 1983, investment by these industries in Alberta accounted for 37% of total Alberta investment compared to only 18% of total investment by these industries in Canada (see Figure 5). Energy investment in Alberta has a significant indirect job creation multiplier. As an example, a $10 million investment (in 1984 dollars) by the oil and gas industry would generate on average an estimated $34 million increase in provincial GDP and create 664 new jobs in the province (assuming no other changes in the economy). However, only 44 of these jobs would be in the energy industry, while 620 jobs would be spread throughout the Alberta economy (see Figure 6).

Exports are Significant and Resource-Based

- Alberta has a very open economy, with exports playing an important role. During the period 1971 to 1983, exports accounted for 32% of Alberta's GDP compared to 24% for the Canadian economy.

- As shown below, Alberta's exports are largely concentrated in the oil and gas industry:

FIGURE 7 ALBERTA GDP AND EMPLOYMENT GROWTH SHARE BY INDUSTRY, 1971–1981



Exports	$million (1983)	% of Total
. natural gas, crude petroleum, coal	6,300	55
. manufacturing (oil products, oil/gas field equipment, wood pulp, fertilizers, etc.)	2,800	24
. agricultural products	1,800	16
. services	500	4

. The province's economy is very dependent on highly unpredictable external market conditions for its energy and related exports, creating considerable and ongoing potential instability in the economy.

Different Pattern of Growth and Employment

. In the Alberta economy there is a significant difference between growth in GDP and employment. Over 1971 to 1981, the resource and finance industries (including resource royalties), accounted for over 50% of the increase in provincial GDP, but directly created only 16% of all new jobs in the province. The largest employment generator in the province over this period was the community, business and personal service industry division which created 30% of new jobs, but only 9% of GDP growth (see Figure 7). See Note 2 in the Appendix C for the source of employment data.

II THE EDMONTON URBAN ECONOMIC STRUCTURE TODAY

Edmonton is a Service and Distribution Centre

. Edmonton can be described as a regional service and distribution centre, with a northern resources development orientation and a significant public sector component.

FIGURE 8
UNEMPLOYMENT RATES, 1973–1984

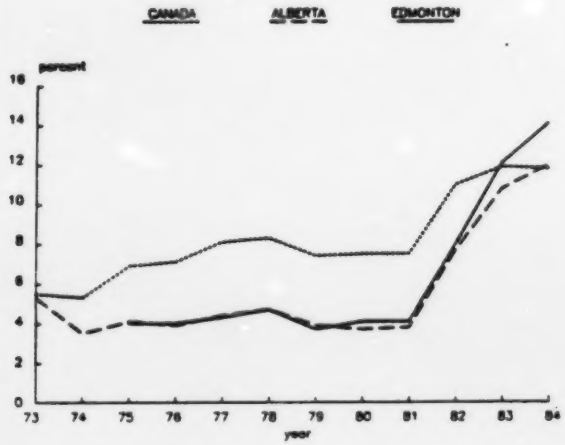


FIGURE 9
UNEMPLOYMENT RATES, JULY 1984–JUNE 1985

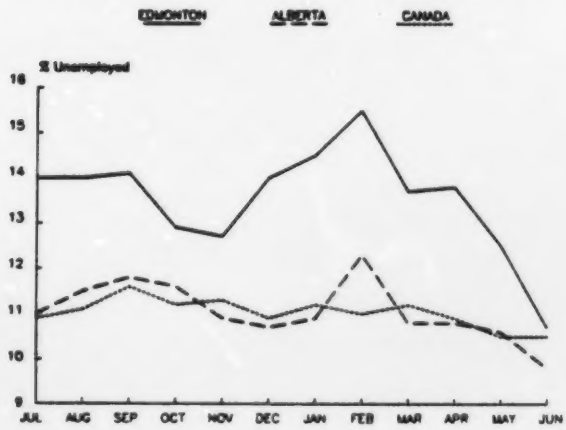


FIGURE 10
LABOUR FORCE PARTICIPATION RATES, 1975–1984

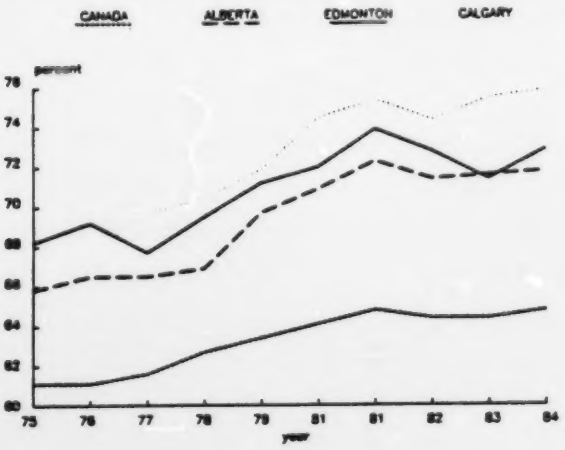
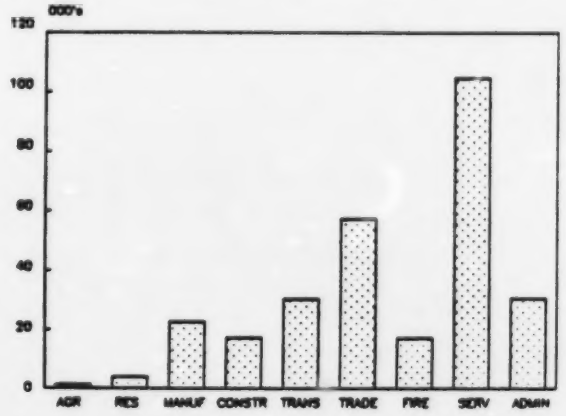


FIGURE 11
EDMONTON EMPLOYMENT, 1984



- The Edmonton urban economy currently employs approximately 282,000 people (both full and part-time) and has an unemployment rate around 11%. This high unemployment rate is the result of the recent recession. During the 1970s, Edmonton's unemployment rate averaged approximately 4%, well below the Canadian figure (see Figure 8). Edmonton also experienced a lower unemployment rate than Calgary for four of the last seven years since 1978. Edmonton's unemployment rate has improved significantly in 1985, declining from over 14% in January to 10.7% in June 1985 as some economic recovery has occurred (see Figure 9).

  Edmonton's labour force participation rate exceeds Alberta's and is well above the Canadian average. By 1984, Edmonton's participation rate (72.9) had almost reached its 1981 peak (73.9) and was continuing to draw ahead of the Alberta rate (see Figure 10).

- Employment in the Edmonton economy is concentrated in the following five industry divisions, which account for almost 90% of all jobs (see Figure 11):

Industry Division	(City) Employment	1984 Edmonton % of Total
. community, business and personal services	106,600	38
. trade	55,800	20
. public administration	30,800	11
. transportation, communication/utilities	30,200	11
. manufacturing	23,000	8

- The community, business and personal services division is the largest employer in Edmonton. The major sectors within this division in 1984 were as follows:

FIGURE 12 EDMONTON AVERAGE WEEKLY EARNINGS, FEBRUARY, 1985

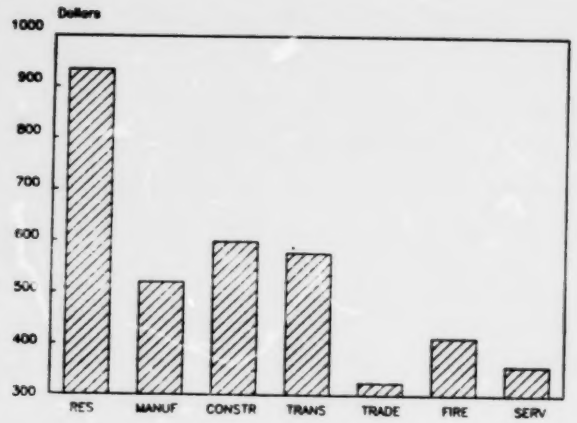
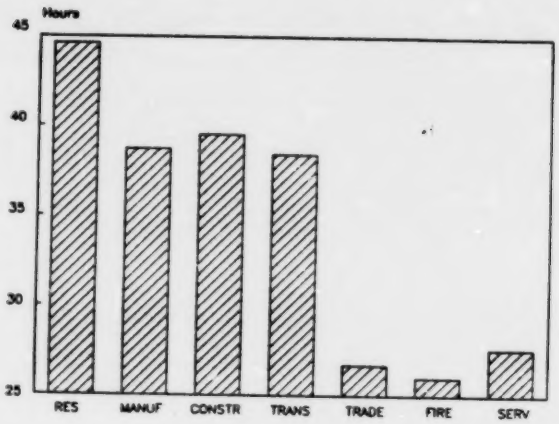


FIGURE 13 EDMONTON AVERAGE WEEKLY HOURS FOR HOURLY PAID EMPLOYEE, FEBRUARY, 1985



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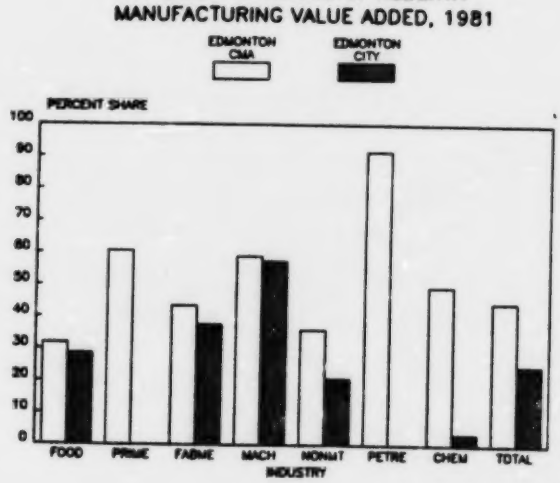
SERV – COMMUNITY, BUSINESS & PERSONAL SERVICE
ADMIN – ADMINISTRATION

FIGURE 14 SHARE OF ALBERTA MANUFACTURING VALUE ADDED, 1981



LEGEND

FOOD – FOOD & BEVERAGE
PRIME – PRIMARY METAL
FABME – METAL FABRICATING
MACH – MACHINERY
NONMT – NON–METALLIC MINERAL PRODUCTS
PETR – PETROLEUM & COAL PRODUCTS
CHEM – CHEMICAL PRODUCTS

Sector	1984 Employment	% of Total Service Jobs
. health/welfare	28,500	27
. education	26,000	24
. services to business management	13,500	13
. restaurants	13,500	13

These sectors accounted for approximately 77% of the total employment in the service industry division.

. The trade division employed 55,800 people in 1984, with the retail sector accounting for 71% or 39,800 jobs, and the wholesale sector for 29% or 16,000 jobs.

. The transportation division is comprised of two sectors: transportation (13,200 jobs or 44%) and communications/utilities (17,000 jobs or 56%).

. Although the community business and personal services and trade industry divisions have the largest total employment in Edmonton, their average weekly earnings are the lowest among all industry divisions (see Figure 12). This situation arises through a combination of low hourly wage rates and fewer hours on the job, reflecting a significant number of part-time workers (see Figure 13). The significance of this earnings pattern is discussed when the employment forecasts are provided in Section V.

Edmonton is Alberta's Manufacturing Centre and is Energy Oriented

. The Edmonton Census Metropolitan Area (CMA) is the major focus of manufacturing in Alberta, accounting for 44% of the total manufacturing value-added in the Province in 1981, exceeding Calgary's share at 28%. The City of Edmonton's share of manufacturing value-added was 25% in 1981 (see Figure 14).

More specifically, the Edmonton CMA is the dominant production area in the Province for the following industries:

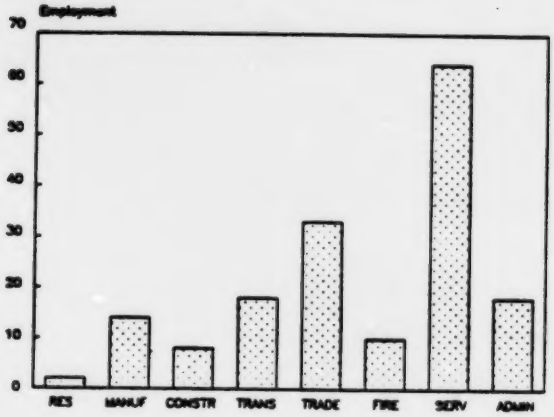
Industry Sector	Edmonton CMA Share of Total Alberta Manufacturing Value - Added (1981)
. petroleum refining	92%
. primary metal (mills and foundaries)	61%
. machinery	59%
. chemicals and chemical products	49%
. metal fabrication	43%

. However, all of the petroleum refining production, primary metal activity and most of the chemical production occurs outside the City boundaries (see Figure 14). The City proper has most of the CMA production in food and beverages, metal fabricating and machinery.

. Food and beverage manufacturing in 1981 was the most important industry in terms of value added (or net output) in the City of Edmonton, accounting for 20.1% of total value added, followed by machinery (18.8%), metal fabricating (15.8%), printing, publishing and related (11.3%) and non-metallic minerals (7.6%). In the Edmonton CMA, the order of importance was different. Chemical and chemical products accounted for the largest share of value added (16.2%), followed by petroleum refining (12.6%), food and beverage (12.5%), machinery (10.8%) and metal fabricating (10.2%). Value added in manufacturing in the Edmonton CMA increased 5.7% per year (in $1971) over 1971-1981, slightly exceeding the Provincial rate of 5.3% per year.

. Although there is a concentration of provincial manufacturing activity in Edmonton, in employment terms this division is relatively small, employing only 35,800 persons or 11% of the City total labour force in 1981. The major manufacturing sectors in terms of employment in Edmonton are:

FIGURE 15 EDMONTON EMPLOYMENT
IMPACT PER $10M($1984) ENERGY INVESTMENT



Industry Sector	1981 Employment	% of Total Manufacturing Jobs
. food and beverage	6,700	19%
. metal fabricating	5,500	15%
. printing and publishing	3,700	10%
. machinery	3,000	10%
. non-metallic minerals	2,600	7%
. chemicals	1,800	5%

Energy Investment is Vital for Edmonton

. Employment in the Edmonton economy, particularly in the service and trade areas, is highly dependent upon energy resource development in Alberta. As an example, a $10 million investment in energy resources (in $1984) in Alberta would create approximately 168 new jobs in the Edmonton economy, or about one quarter of all such new jobs in the province (assuming no other changes in the economy). However, there is a significant lag between the energy investment and job creation in Edmonton. An average of only 79 jobs would be created in Edmonton in the first year of this investment, with the remaining 89 jobs created in future years. Also, most of the job creation in Edmonton would be indirect, with a total of 64 new jobs created in services and 33 jobs in trade; only 2 jobs would be created directly in the resource industry in Edmonton (see Figure 15).

III ECONOMIC DEVELOPMENT 1971-1984

Edmonton's Economic Performance Mixed

. The record of development of Edmonton's urban economy has been mixed. Edmonton has shared in the "boom" of the 1970's and suffered decline in the 1980's.

FIGURE 16 JOB CREATION PER 1,000
POPULATION INCREASE, 1971–1981, 1981–1984

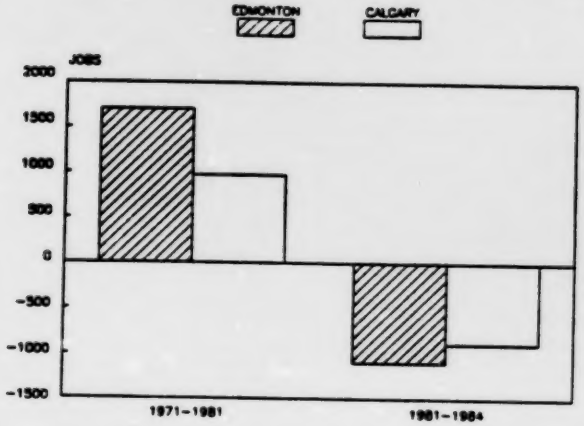


FIGURE 17
POPULATION INCREASE, 1972–1983

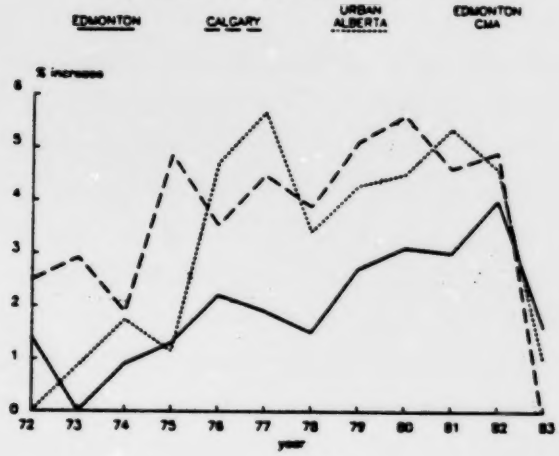
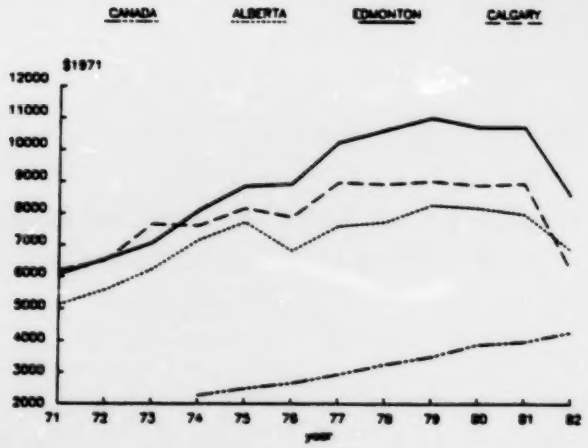


FIGURE 18 RETAIL TRADE
RECEIPTS PER CAPITA, 1971–1984



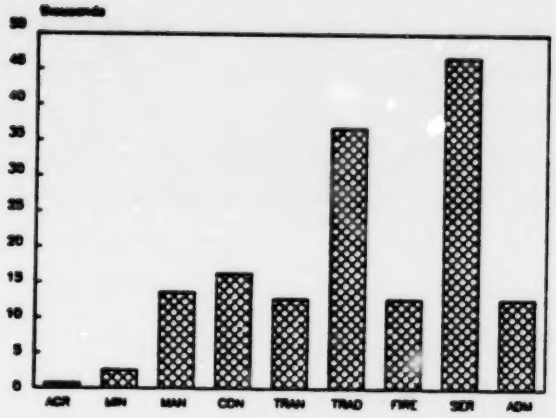
- Employment in the Edmonton economy expanded at an average rate of 7.7% per year over 1971 to 1981, similar to Alberta as a whole (7.8%), but considerably below Calgary (11.3%). During the 1981 to 1984 recession, Edmonton's total employment fell at a rate of 2.7% per year, which compares unfavourably with Alberta's decline of 1.1% and Calgary's 0.4% per year. On the positive side, Edmonton created employment for its population over 1971-1981 at a higher rate than Calgary (approximately 1.7 jobs for every increase of one person in the resident population versus .9 jobs in Calgary). However, during 1981-1984, employment shrank slightly more rapidly in Edmonton (a loss of 1.1 jobs for every one person increase) than Calgary (a loss of .9 jobs per one person increase) (see Figure 16).

- Therefore, notwithstanding the stability which large public administration, educational and retail trade industries gives to Edmonton, the residential manufacturing, construction and other industries must be characterized by extreme volatility and vulnerability.

- Accompanying the rapid economic growth, population increase in Edmonton was also above the Canadian average. However, Edmonton's rate of population growth has been below Alberta's and Calgary's. In the 1971-1983 period, the rates were 2.0%, 2.9% and 3.4% respectively (see Figure 17). On the positive side, Edmonton's total population showed more resilience than Calgary's during the recent recession with Edmonton's population continuing to increase (from 551,314 in 1982 to an estimated 564,459 in 1984), while Calgary's declined slightly (623,133 to 619,814) over the same period.

- Edmonton's competitive performance in the retail trade sector, either on the basis of receipts per capita, employment per 1,000 population or outlets per 1,000 population, was impressive in the 1971-1982 period, exceeding Calgary and Alberta as a whole (see Figure 18).

FIGURE 19
EDMONTON JOB CREATION, 1971–1981



Service Economy Growth

- Over 1971-1981, there were approximately 142,000 new jobs created in the City of Edmonton. The highest job creation industries in Edmonton over 1971-1981 were as follows (see Figure 19):

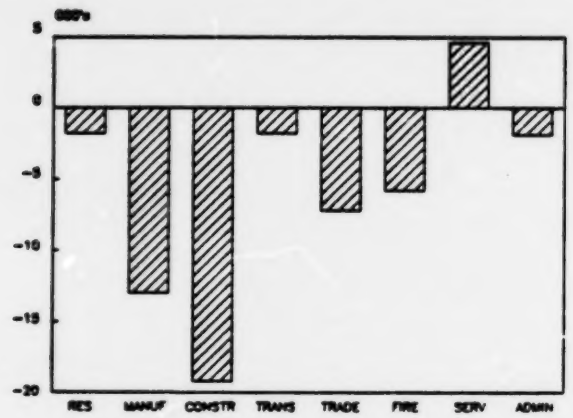
Industry Division	Employment Created	% of Total Job Creation
. community, business and personal services	46,100	32
. trade	26,700	19
. construction	16,200	11
. manufacturing	13,600	10
. administration	12,900	9

- Within these broad industry divisions, Edmonton's employment growth was highest in the following specific sectors:

Sector	Employment Created	% of Total Job Creation
. retail trade	16,000	11
. services to business management	14,200	10
. construction trade contractors	13,400	8
. wholesale trade	10,700	7
. health care	10,200	7
. accommodation and food services	9,500	4

- Based on a shift-share analysis described in the Working Papers, Edmonton displayed particular strength in terms of its competitive location, management and markets over 1971 to 1981 for trade, transportation and construction.

FIGURE 20
EDMONTON JOB CHANGES, 1981–1984



However, during 1981 to 1983 these same factors reversed and became disadvantages in durable goods manufacturing, construction and trade.

- Compared to the national economy, employment in Edmonton is more concentrated in construction, transportation, finance, trade, services and administration. In comparison with Calgary, Edmonton is more specialized in administration, with a lesser degree of concentration in transportation, trade and service. When compared to provincial employment, the only industry division in which Edmonton employment became more specialized over 1971 to 1981 was public administration.

Major Employment Losses Over 1981-1984, but Strength in Service Employment

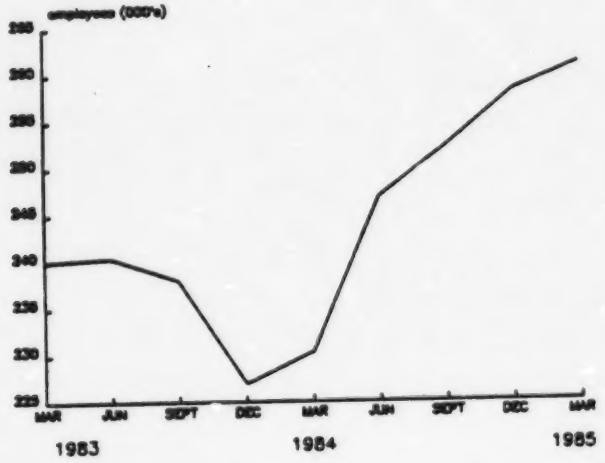
- The economic recession and Edmonton's particular economic characteristics (especially the high level of construction activity in 1981 and a manufacturing division dependent on the energy industry) have led to a severe contraction of the Edmonton economy over the 1981 to 1984 period; there were 46,000 jobs lost in Edmonton and the unemployment rate grew from 4.1% in 1981 to 14.1% in 1984. As noted previously, this rate has declined to 10.7% in June 1985.

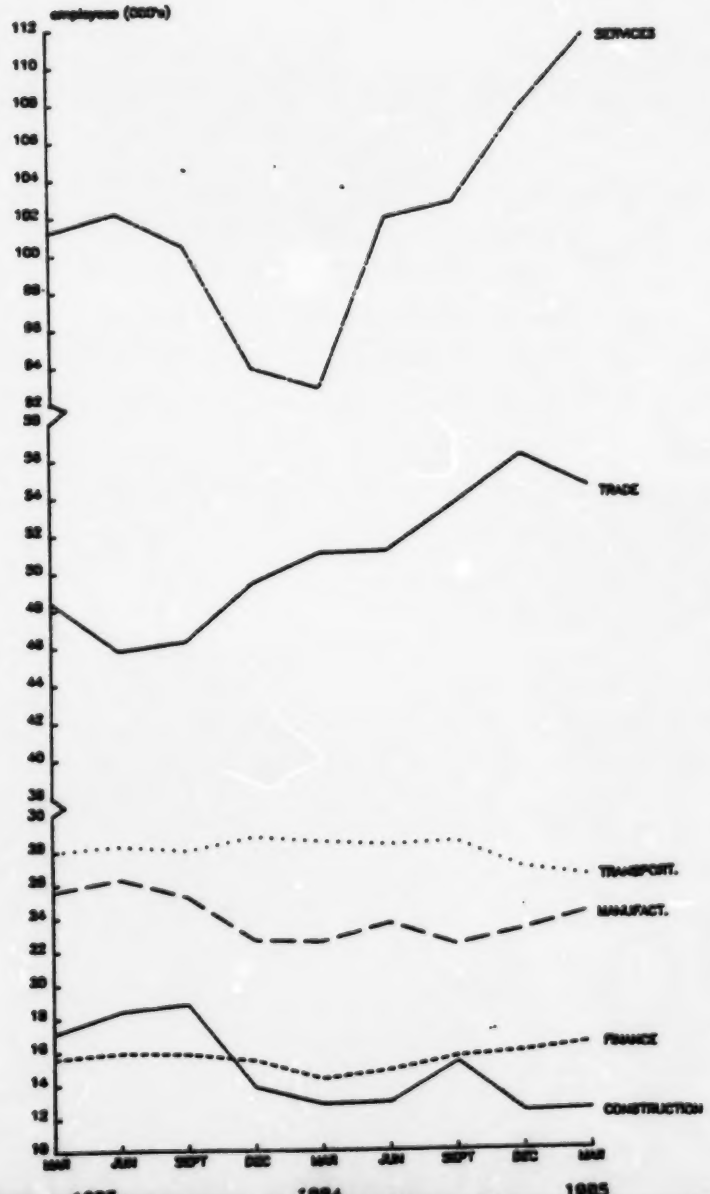
- Employment declined in the following industry divisions in Edmonton during the 1981 to 1984 period (see Figure 20):

Industry Division	Employment Lost 1981 - 1984	% Decline 1981 - 1984
. construction	-19,200	-58
. manufacturing	-13,000	-36
. trade	- 7,200	-11
. finance	- 5,800	-26

FIGURE 21

EDMONTON EMPLOYMENT, MARCH 1983–MARCH 1985





- In contrast to these employment losses, the community, business and personnel services industry has shown considerable strength in employment generation since March 1983 (see Figure 21). Although the most readily available data applies to the Census Metropolitan Area, which includes the City, service employment growth has been strongly positive in accommodation/food services and miscellaneous and personal services (see Figure 22).

Falling Behind in National Head Offices

- Edmonton has been losing its position as a centre for national corporate head offices compared to other Western Canadian cities (see Figure 23):

	Top 300 National Corporate Head Offices	
City	1978	1984
Vancouver	17	33
Calgary	11	32
Winnipeg	5	13
Edmonton	5	4

- While Edmonton has a sizable and important corporate community, it is in large measure made up of smaller firms or regional operations of larger companies. By contrast, Calgary has evolved as a centre for major corporate operations, (i.e., 32 major head offices in Calgary versus four in Edmonton). The growing concentration of major head offices in Calgary represents a serious threat to Edmonton's economic interests. The decision-making and purchasing power of the major corporations in Calgary have had a decided influence on the location of other companies within Alberta.

FIGURE 22 EDMONTON SERVICE SECTOR EMPLOYMENT, March 1983–March 1985

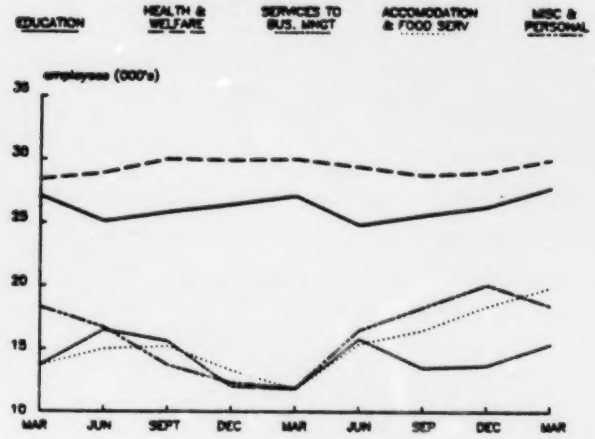


FIGURE 23
WESTERN CITIES HEAD OFFICES, 1978–1984

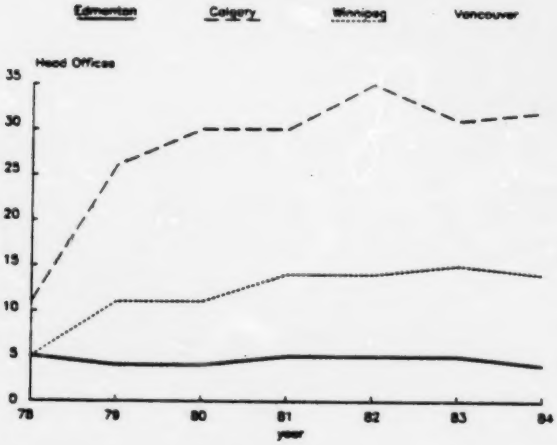
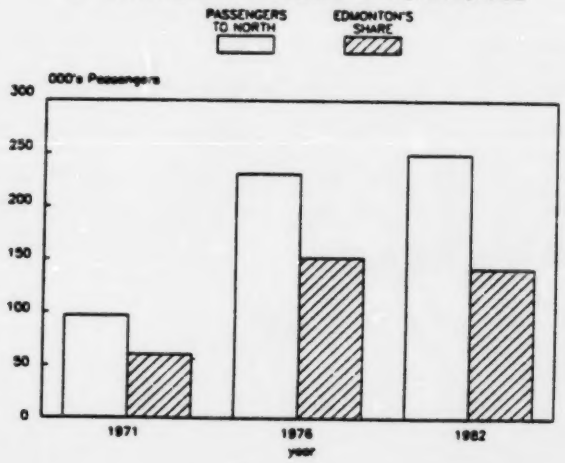


FIGURE 24 EDMONTON'S SHARE OF NORTHERN AIR TRAVEL, 1971,1976,1982



"Gateway to the North" Position is Threatened

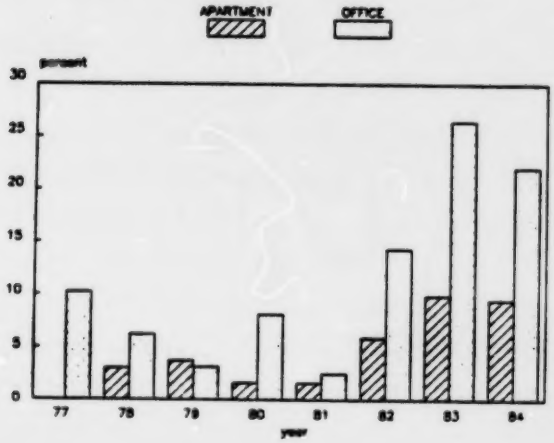
- Edmonton's historical claim as the "Gateway to the North" is now being threatened. This issue was identified through the business panel meeting and discussions with other local business leaders. Northern highway developments, such as the Liard and Dempster highways, have increased the accessibility of British Columbia and Alaska to the Northwest Territories and the Yukon. Air service improvements, such as a new service from Yellowknife to Winnipeg, are attracting passengers away from Edmonton and its share of northern trips is declining (see Figure 24). In 1976, Edmonton had 66% of all air passenger travel from six major southern Canadian cities to seven northern Canadian centres. By 1982, Edmonton's share of this important air travel market had declined to 57%. These changes in transportation are creating significant alternative northern transportation options, allowing businesses and travellers to bypass Edmonton. Also, Calgary is becoming the centre for engineering and other services, as well as corporate functions relating to northern development.

IV DEVELOPMENT FACTORS, WEAKNESSES AND STRENGTHS

- Edmonton's difficult times during the recent recession occurred within an environment of economic contraction in Alberta and Canada. As an open economy, Edmonton could not be isolated from these events. However, the pattern of change in this period is significant for what it reveals about strategic factors, current weaknesses and continuing strengths in the local economy.

- As well, some of the development factors, weaknesses and strengths are the result of the business cycle which Alberta has experienced. Some of the weaknesses especially, the excess inventories and out-migration, will improve as the economic recovery continues in the Province.

FIGURE 25
EDMONTON VACANCY RATES, 1977–1984



Factors

- There will be continuing significant energy investments in northern Alberta and in northern Canada. Edmonton has a strategic location as the largest metropolitan centre in proximity to the major energy projects for the oil sands and heavy oil. Edmonton has an existing infrastructure of firms and expertise to service the energy projects.

- There is a large petroleum refining and petrochemical industry in the Edmonton area and there is Provincial government commitment to petrochemicals.

- The Provincial Government appears to be implementing its White Paper "Proposals for an Industrial and Science Strategy for Albertans 1985 to 1990". There will be tangible Provincial initiatives for the industries/activities which are consistent with the Provincial strategies.

- There is a growing awareness in some sectors of the local economy of the importance and desirability of the City creating policies and an integrated program for strategic economic development.

- There are "givens" of location, distance to markets, size of local population and natural and human resource endowments which must form the basis of any economic strategy.

Weaknesses

- The significant extent of existing underutilized plant capacity, vacant commercial floorspace and serviced land may deter some new residential and commercial investment (see Figure 25). However, the recent decline in vacancy rates reflects ongoing absorptions and strength in the market.

FIGURE 26
PRODUCTIVITY PERFORMANCE, 1975–1983

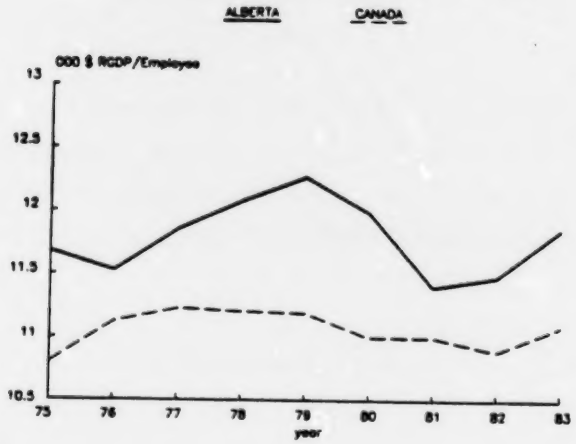


FIGURE 27
PERSONAL SAVINGS RATE, 1972–1983

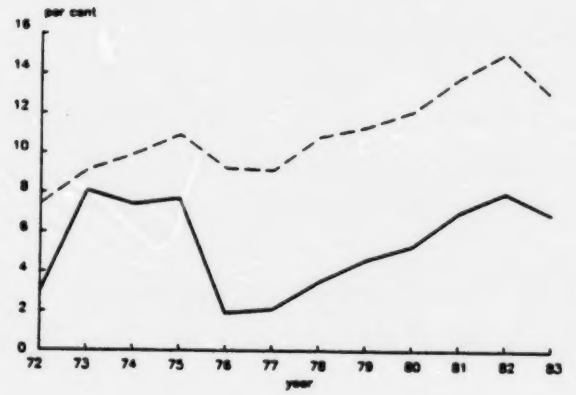
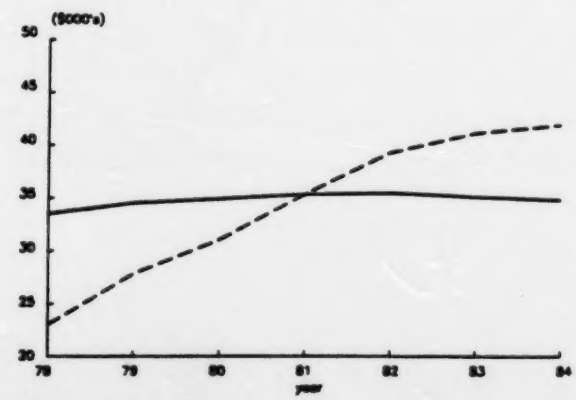


FIGURE 28
EDMONTON AVERAGE HOUSEHOLD INCOME, 1978–1984



- Although there is some evidence of recent improvements, productivity patterns in Alberta industry, except for the resource industry, have not been favourable (see Figure 26). Economic and competitive pressures dictate the need for improved productivity before there will be any significant expansion in employment.

- As a result of the recession, there has been a loss of skilled personnel in construction, trade, management, consulting engineering, management consultancy and other areas.

- There are only limited prospects for a consumer-led recovery in Alberta because of the already low personal savings rate in the province, continued pressure on real disposable incomes and the high dependency of the provincial economic growth on investment activity (see Figures 27 and 28).

- There is a lack of national corporate head offices in Edmonton and a low record of success compared to other Western Canadian cities.

- Alberta remains both vulnerable and dependent upon world oil prices and external markets. The current instability in oil prices makes forecasting difficult. In the short term for 1985-1986, prospects for price increases are not promising because of excess productive capacity. For the medium term for 1987-1989, there is uncertainty regarding price directions. Some analysts suggest price declines in real terms, while others expect stable prices. In the longer term, after 1990, prices are expected to rise in real terms as supplies gradually tighten.

- There is perceived to be some over-dependence on the Provincial Government and other public sector opportunities.

- There remains a lack of widespread appreciation, and perhaps urgency, regarding the extent of the recent economic contraction in Edmonton and the extent of revitalization needed across the entire urban economy.

FIGURE 29 EDMONTON AVERAGE BUSINESS TAX LEVY COMPARED TO CONSUMER PRICES, 1977–1985

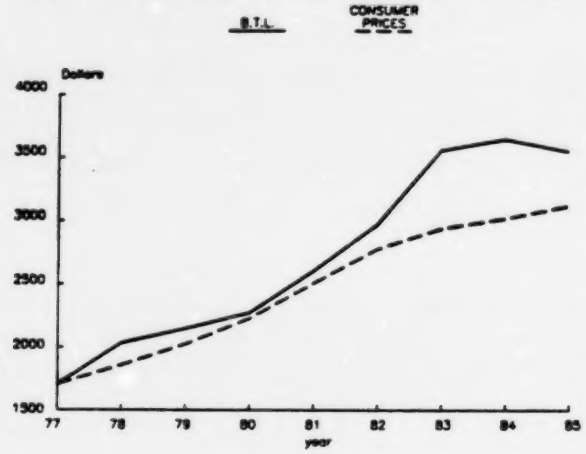


FIGURE 30
PETROLEUM INDUSTRY EXPENDITURES, 1974–1984

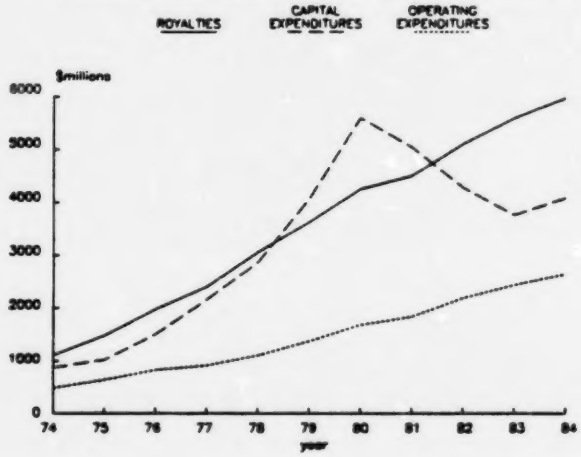
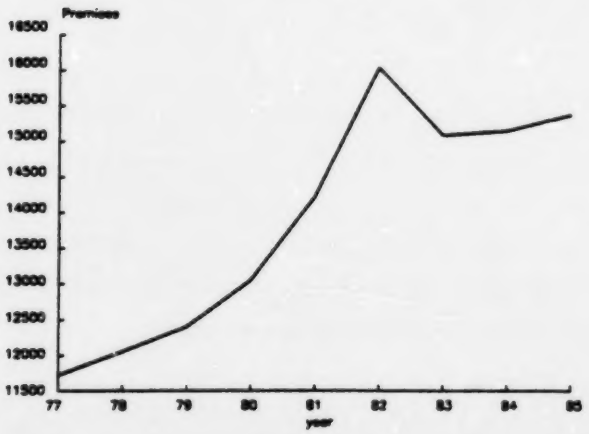


FIGURE 31
EDMONTON BUSINESS PREMISES, 1977–1985



- There is a potential and perceived uncompetitiveness resulting from the growth of industrial/commercial taxation, (see Figure 29) utility and telephone charges in Edmonton.

Strengths

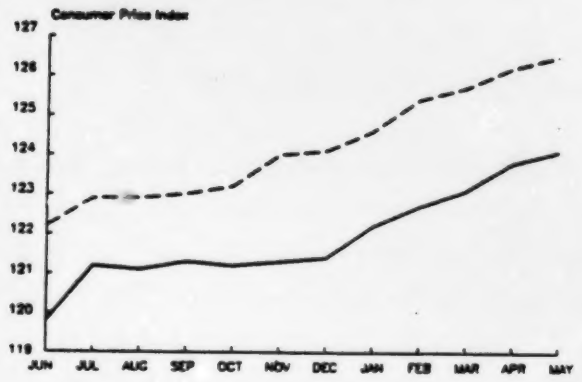
- There is now considerable optimism of higher energy investment in Alberta arising from a combination of four favourable events: (i) the Western Accord and the deregulation of oil and gas prices; (ii) the end of the Foreign Investment Review Agency and its replacement by Investment Canada; (iii) the investment incentives contained in the 1985 Federal Budget; and (iv) the Alberta royalty reductions and royalty tax credits announced in June 1985. These events would help to reinforce the growing strength of petroleum industry exploration and increasing provincial royalty revenues (see Figure 30).

- Selected Provincial policies and initiatives arising from the White Paper are supportive of Edmonton's economic base. Recent announcements, such as the Province's five-year tourism policy statement which included $2 million for a festival market place in Edmonton's downtown and the establishment of a Provincial container corporation are indicators of Provincial action.

- Investors' and consumers' confidence is improving in the local economy as evidenced by the increase in the number of businesses since 1983 (see Figure 31).

- The Edmonton area contains the major concentration of manufacturing activity in Alberta. The Edmonton CMA is the centre for petroleum refining, primary metals, machinery, chemicals and metal fabrication and these provide a strong nucleus for further energy-related growth. The manufacturing activities in the Edmonton outlying areas will generate support industries in the City, although it may not generate direct revenues to the City.

FIGURE 32
INFLATION RATES, JUNE 1984–MAY 1985



- There is a general expectation that the metal fabrication and machinery industries in Edmonton are already responding to, and will continue their resurgence, as a result of increased oil and gas activity.

- There is an emerging base for high technology industry in Edmonton. Recent projects such as the Alberta Telecommunications Research Centre (part of the Bell-Northern Research Ltd. Edmonton Laboratory) and a new electronics test centre help to support this growing base. Other activities involve research in microelectronics, biotechnology, nuclear medicine and oil and gas. The City is also the base for the Alberta Research Council.

- There has been an improvement in Edmonton's competitive position because of the decreases in wage rates, land costs and other input costs. As an example, Edmonton's inflation rate has remained below the Canadian rate for over a year (see Figure 32).

- There is a large service industry in Edmonton which has shown resilience by continuing to grow during the recessionary period.

V URBAN ECONOMIC PROSPECTS

- The nature of the Alberta economy (export oriented, energy and resource dependent), creates uncertainty in economic forecasts. There are no publicly available economic forecasts available from the Provincial Government. Other agencies have prepared forecasts with different growth rates. In these circumstances, the decision was taken by the Research Group to utilize the forecasts prepared by the City Forecast Committee, in the report "Socio-Economic Forecasts 1985-1990" (May 1985). These forecasts are subject to changes, depending on a wide variety of regional and international circumstances. The inherent unpredictability of the forces influencing Alberta's economy mean there must be an ongoing monitoring program to detect changes in economic prospects and identify the implications for Edmonton's urban economic base and economic development activities.

FIGURE 33 ECONOMIC GROWTH FORECAST, 1977–1986,(1987–1990 AVERAGE FORECAST)

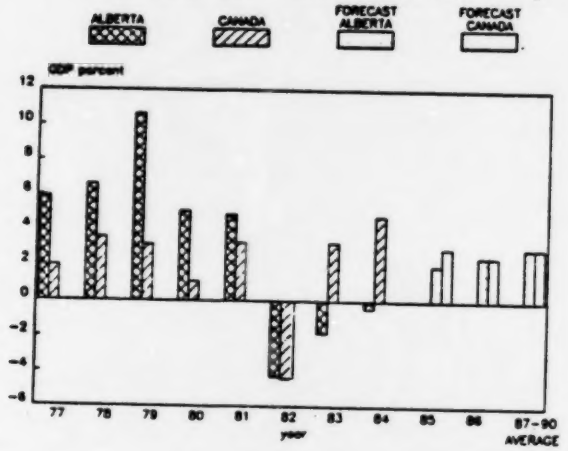
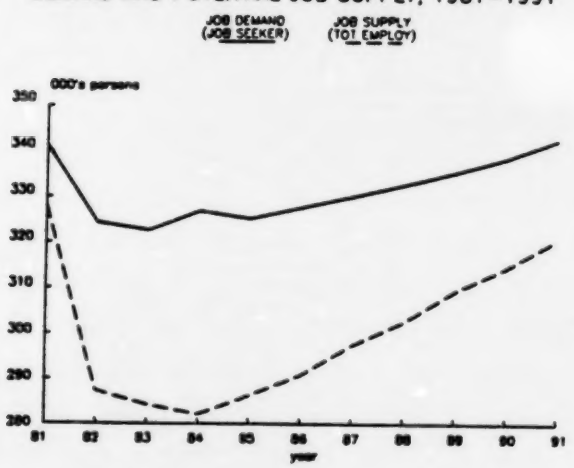


FIGURE 34 MATCH BETWEEN JOB DEMAND AND POTENTIAL JOB SUPPLY, 1981–1991



Moderate Economic Recovery

- The Alberta economic recovery is expected to be moderate, with a 2.0% increase in GDP in 1985 and a 2.5% increase in 1986. The Alberta economy is projected to grow at the same rate (3%) as the Canadian economy over the period 1987 to 1991 (see Figure 33). Growth forces for the Alberta economy include increased oil and gas drillings and higher energy related investment such as the Syncrude expansions, the Husky bi-provincial heavy oil project, enhanced oil recovery and improving markets for natural gas.

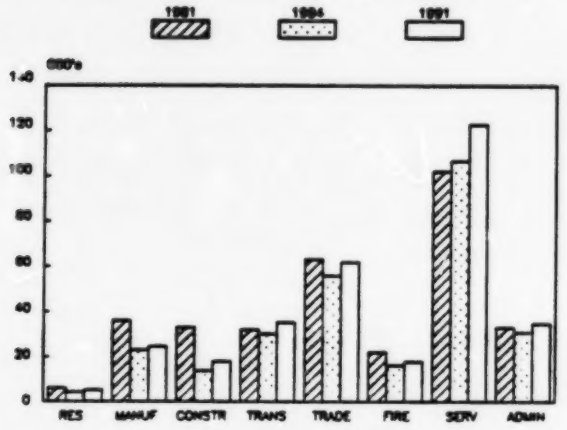
Unemployment Remains High

- Based on the GDP forecasts and two independent industry division forecasting approaches outlined in the Working Papers, employment in the City of Edmonton is expected to increase as follows:

Year	Total Edmonton Employment
1981	328,000 (Actual)
1984	282,000 (Estimated)
1991	320,000 (Forecast)

An average of 5,300 to 5,400 new jobs per year are forecast for Edmonton. However, total employment in Edmonton in 1991 will remain below the 1981 level. As a comparison of the magnitude of economic change, there were 142,000 net new jobs created in Edmonton over the period 1971 to 1981. By 1991, the Edmonton unemployment rate would be in the 6% to 8% range, implying a significant gap between the job demand and the job supply (see Figure 34).

FIGURE 35
EDMONTON JOB DISTRIBUTION 1981,1984,1991



Employment Growth Mainly in Services, Trade, Transportation

- The forecast of employment growth by industry division in Edmonton over the period 1984 to 1991 is as follows (see Figure 35):

Industry Division	Employment Increase 1984 - 1991
. community, business and personal services	16,000
. trade	4,400 - 5,900
. transportation	5,000 - 5,100
. construction	3,300 - 4,100
. administration	1,200 - 3,900
. manufacturing	1,600 - 3,700
. finance, insurance, real estate	.1,600 - 3,100
. resources	800 - 900
. agriculture	-200 - 0

- The services, transportation and administration divisions are the only divisions where the employment growth is sufficient to raise the 1991 employment levels above the 1981 levels (see Figure 35). For all other divisions, the employment growth to 1991 is expected to only recover the jobs lost over the 1981-1984 period.

- Based upon the "share method" of employment forecasting, the expected employment increases for specific sectors over the period 1984 to 1991 are as follows:

CHART 3

WEEKLY EARNINGS AND EMPLOYMENT INCREASES

	SECTOR	Potential Employment Increases 1984 - 1991			
		3,000 - 4,000	2,000 - 2,999	1,000 - 1,999	500 - 999
	Construction/Building	✓			
Above Average	Transportation		✓		
	Communication/Utilities		✓		
	Wholesale Trade		✓		
	Education			✓	
Edmonton Average Weekly Earnings (February 1985)	Food/Beverages				✓
	Metal Fabricating				✓
	Construction - Engineering				✓
	Retail Trade	✓			
	Restaurants	✓			
Below Average	Health/Welfare		✓		
	Services & Bus. Mgt.		✓		
	Personal Services		✓		
	Miscellaneous Services		✓		
	Insurance/Real Estate			✓	
	Accommodation			✓	
	Finance				✓

Sources

1. Average Weekly Earnings: Statistics Canada, Employment Earnings and Hours, Catalogue 72-002

2. Employment Forecasts: Corporate Forecasting Group, Planning and Building Department
   David J.A Douglas and Associates Ltd.

Sector	Potential Increase in Employment For Each Sector 1984 - 1991
Construction/building Retail trade Restaurants	3,000 - 4,000
Transportation Communication/Utilities Wholesale Trade Health/Welfare Services to Business Management Personal Services Miscellaneous Services	2,000 - 2,999
Insurance/Real Estate Education Accommodation	1,000 - 1,999
Food/Beverage Metal Fabricating Construction-Engineering Finance	500 - 999

- Based upon the "job gap" forecast, higher job increases could be expected in some manufacturing industries (3,700) and some sectors in the finance, insurance and real estate industry division.

- An implication of this service and retail trade employment growth is that relatively more jobs will be created in those sectors which have wages generally below the Edmonton average weekly earnings (see Chart 3). This job creation forecast may act to slow the increase of average incomes in the City.

Modest Building Recovery

- Construction activity in the City is expected to recover as existing vacancy rates continue to decline in the residential, commercial and industrial markets. Building permit values are expected to increase from $334 million in 1984 to

FIGURE 36
EDMONTON BUILDING PERMIT VALUES, 1979–1989

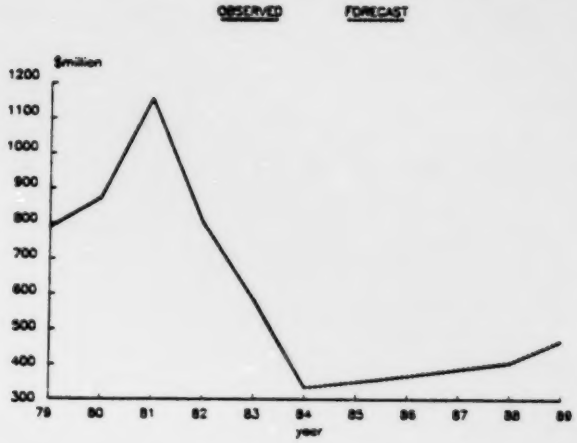
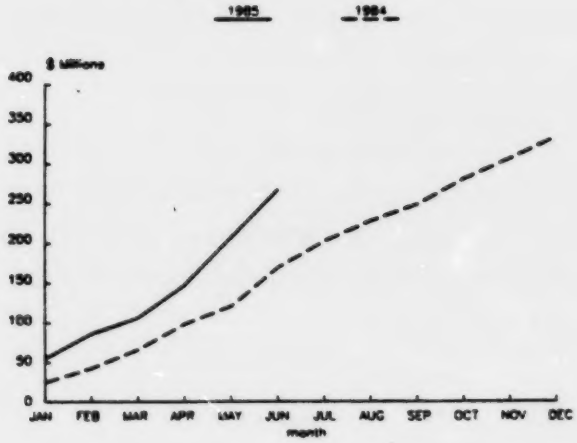


FIGURE 37 CUMULATIVE VALUE
OF BUILDING PERMITS 1984,1985



$537 million by 1990 (see Figure 36). Housing starts are forecast to increase from 1,877 in 1984 to 2,000 in 1985, 2,500 in 1986 and average 3,900 units over 1987 to 1991. Signs of this building recovery are evident. Building permit values in Edmonton during the first six months of 1985 are up 58% over 1984, (see Figure 37) and could exceed the forecasted values shown in Figure 36.

Ongoing Fiscal Pressures

- The modest projected economic growth, development activity and population increases affect the growth of the total City expenditures. A fiscal impact assessment model prepared by the Planning and Building Department, projected that the total City operating expenditures could increase by approximately 1% per year in real terms to 1991 (or increase by 5 to 7% if inflation is included). This projection assumes the 1984 service levels are maintained and there is no significant redevelopment in the inner city.

Provincial Initiatives Significant to Edmonton

- The Province of Alberta in its White Paper identified the high technology and resource processing fields as "prime candidates" for "special support". The Edmonton area has a modest base in high technology and a strong base for resource processing (especially food processing, petrochemicals and chemicals).

  Prospective areas of special support from the Province identified in the White Paper include:

  - high technology
    - fibre optics
    - telecommunications
    - computer software
    - computer aided manufacturing

- biotechnology
- specialty steel processing

- resource processing:
  - food and beverage
  - petrochemicals
  - extensions of high technology to resource processing.

- Other initiatives from the Province consistent with the White Paper strategies can be expected in areas such as transportation, export marketing, Alberta procurement preference policy and tourist development. These initiatives provide an initial series of directions for City job creation efforts. The relationships between the areas which may receive Provincial support and employment opportunity areas for Edmonton are identified in Section VIII.

Major Resource Projects - Solution?

- On the basis of 33 major mining, petrochemical and hydrocarbon development projects, a development scenario, detailed in the Working Papers, has been prepared. It has been estimated that Alberta could share in several major investments over the 1985-1991 period. The Alberta share could be in the order of $4.12 - $6.17 billion ($1984). This could contribute an additional 34,000 - 51,000 jobs per annum to the provincial economy over this period. Some of these jobs already have been included in the general forecasts of GDP for the province (see Conclusions - Section V). They should be interpreted, therefore, as a maximum outer limit of possibilities. As well, it should be recognized that additional major resource projects will be developed in northern Canada which will affect the Edmonton and Alberta economies.

- Edmonton could achieve an additional 9,000 - 13,000 jobs per year if the resources development scenario depicted above occurred and if the City's competitive efforts were successful. The majority of these employment opportunities would occur after 1987 - 1988.

- Should these developments occur, and if Edmonton were to be successful as a place for a larger proportion of the contracts, support services, labour force and inputs for these developments, the current and anticipated unemployment situation would be resolved.

VI IMPLICATIONS

Secure the Present Economic Base

- The securing, nurturing and fostering of Edmonton's present economic base should be a priority from now and into the future. The present economic base is not a fixed, secure resource upon which growth, at varying rates, will automatically occur. The local economy has gone through a significant contraction. Although there is a forecasted economic recovery, the existing economic base must not be forgotten as new economic opportunities are pursued.

City Must Use Maximum Leverage

- The openness of the urban economy, its susceptibility to external forces and the limited statutory and other powers of the City, all indicate that development initiatives by the City will have to focus on areas of maximum leverage. Growth and change will have to be achieved through highly imaginative initiatives and the maximum leverage of the City's powers and the use of the resources of other interested parties. Example initiatives could include joint public/private partnerships, enterprise zones or assistance with enterprise corporations (business incubators).

Economic Development Has Fiscal Implications

- The City will experience pressure to increase tax rates as a result of the forecasted growth in total City operating expenditures over the 1985 to 1991 period. Successful economic development, however, will be one key factor in reducing the prospective need for such increases because it can generate growth in the tax base.

Economic Development Must Become Public Policy

- Community economic development must be the public policy priority for Edmonton for the remainder of this decade. It is evident that (i) the economy will not, even in times of moderate resurgence, deliver the jobs required to contain unemployment to socially acceptable levels, and (ii) a longer term action strategy for structural change in the urban economy has to be put in place and implemented. It has been demonstrated that the non-government sectors and those industries outside of personal services are, even in an Albertan context, extremely volatile and vulnerable to external forces. Structural change is imperative.

Use Provincial Initiatives From the White Paper

- The Province's White Paper provides a range of Provincial priorities for economic revitalization and longer term development. These Provincial initiatives provide an important framework within which many of Edmonton's prime development opportunities will lie.

Short Term Action Needed

- Immediate action is required on the persistent problem of unemployment. High levels of unemployment are likely for at least the next 5 to 7 years, if concrete action is not taken.

Need for Community Manpower Plan

- Edmonton might receive some employment benefits directly and indirectly as the result of expanded ancillary and service industries.

- Costs will be incurred in transportation infrastructure (for commuters) and residential services. Edmonton's net gain is uncertain. Industrial development initiatives must therefore be tailored to growth in Edmonton proper.

Recognize Spatial Differences in the Area's Economy

- Economic development programs must recognize the spatial differences in the urban economy of the Edmonton CMA. The City is a service, administrative and distribution centre, with supporting manufacturing in food and beverages, machinery and metal fabricating (in terms of value-added). The area outside the City, especially in Strathcona County, contains Alberta's major production facilities for petroleum refining, chemical production and primary metals. Any future expansions of these plants (e.g., an upgrader on a refinery) would likely continue to locate outside the City because of their locational requirements. These differences in the characteristics of the Edmonton area economy will remain and should be addressed in the basic direction of economic development.

Need Action to Secure the "North"

- It is evident that Edmonton's claims to, or expectations, regarding the North as an economic hinterland for continuing opportunities, are suspect. Not only will political developments in the North influence Edmonton's real opportunities, but the aggressive initiatives of other urban centres (e.g., Vancouver, Winnipeg, Calgary and Toronto) are already making themselves felt.

- Transportation improvements have created options which are allowing business to bypass Edmonton as a transportation and service centre. More so than ever, the North will only be secured as a significant and growing market area for Edmonton if supporting and very purposeful initiatives are taken. Examples could include the expansion of role of the Municipal Airport to create a "hub" for northern air services, improving commercial ties between Edmonton and the new northern businesses and building on cold weather engineering studies (e.g., the Boreal Institute at the University of Alberta).

Export Orientation

- The encouragement of export activity will increase in importance. The limits of the Alberta market, the vulnerability associated with energy resources dependence and the direction of Provincial priorities all indicate the desirability to focus more economic activity into exports (both goods and services).

Recognize the "Service Society" in Employment Growth

- The employment forecasts in Section V indicate substantial employment growth could be in community, business and personal services. These activities are part of the evolving service society and show its potential significance for Edmonton. An economic development program must address the needs of these non-traditional and non-manufacturing activities.

"Footloose" Industries Should be Pursued

- While the so-called "footloose" industries (firms where transportation costs are a small percentage of total costs) are no panacea for large-scale unemployment problems and are part of intensely competitive industries, the imperatives of economic diversification indicate that these industries should become a priority area for increased development activity. Examples include high technology, entertainment (movie and television production) and tourism.

Need for Integrated Economic Development Strategy

- The urgency of job creation, the evidence of longer term competitive erosion and the vulnerability of the Edmonton economy all point to the need for a longer term integrated economic development strategy. This strategy must be characterized by:

  - a clear set of goals;
  - a clear set of short, medium and longer term objectives;
  - target and performance criteria;
  - a series of industry and sector strategies;
  - component programs, action plans and specific projects for each industry and sector;
  - an integrated and well coordinated organization involving the City, EEDA, the Chamber of Commerce, the Province, appropriate Federal agencies, the Tourism and Convention Authority, the City Centre Association and other interested parties;

CHART 4
POTENTIAL OPPORTUNITY AREAS

Criterion - Provincial Priorities

- High Technology Development and Industries
- Tourism
- Petrochemical
- Other Resource Processing
- Exports
- Manufacturing
- Transportation
- Venture Capital
- Manpower
- Health Science/Industries

Criterion - Labour Absorption

- Restaurants
- Retail Trade
- Personal Services
- Business Services

Criterion - Record of Growth

- Trade/Retail
- Restaurants
- Wholesale/ Distribution
- Business Services
- Health
- Accommodation
- Manufacturing
  - Machinery
  - Metal Fabrication

Criterion - Prospects

- Retail Trade
- Restaurants
- Manufacturing
  - Food and Beverage Processing
  - Metal Fabrication
  - Machinery
  - Chemicals
- Miscellaneous Services
- Personal Services
- Transportation

Criterion - Complementaries (Linkages)

- Manufacturing
  - Food and Beverage Processing
  - Machinery
  - Metal Fabrication
  - Printing and Publishing
  - Chemicals
- Service Industries
- Tourism

Criterion - Exploit Edmonton's Potential Role

- Transportation
- Distribution
- Wholesale
- Business Services

Source: Corporate Forecasting Group
Planning and Building Department

David J.A. Douglas and Associates Ltd.

- return on investment targets for City/community expenditures related to the strategies; and

- strategy management including monitoring, review and evaluation procedures.

Importance of Monitoring and Review

- The highly structured "game plan" would be prepared from extensive discussions following the conclusion of the Edmonton Urban Economic Base project (mid-1985) and the ongoing use of an urban economic information system. The strategy would be formally reviewed, monitored and adjusted on a regular basis and would have to be the centre-point of both public and private sector policy and collaboration for Edmonton, from here on. Monitoring is a critical task to ensure the strategy remains relevant to changing economic conditions and adjusts to the unpredictability of the forces affecting Alberta's economy.

VII POTENTIAL OPPORTUNITY AREAS

- On the basis of six criteria, the project has identified a number of general areas of opportunity which could be included in future focused marketing and prospecting in Edmonton's ongoing economic development initiatives. These are displayed in Chart 4 opposite. As this was not a marketing assignment, these areas should be taken as indicative and not definitive. The opportunity areas are, of course, not all inclusive.

- The project identifies two complementary approaches to economic growth which could form parts of the City's ongoing economic development initiatives.

- The first involves focused marketing and prospecting through the prior identification of those industries and services which fit particularly well into

Edmonton's present (regional) economy and which will find particular opportunities here. Those industries and services which can provide inputs to industries now active in the general economic region could be targetted. Likewise, industries who use the outputs of other industries now in the region, could be targetted. This input/output approach focuses the marketing and prospecting efforts of the City, enhances the development of new industries and the expansion of businesses currently located in the City.

- The second and complementary approach involves improving the quality of the business environment in Edmonton. The approach is not mere promotion or boosterism, but, rather an effort which attempts to create a positive economic environment throughout the City in an economy subject to considerable uncertainty. The record of start-ups in small businesses, the increasingly important role of the owner-operator business and the young entrepreneur, all attest to the increasing unpredictability of business growth and location patterns. In today's turbulent environment of technological change, market shifts and changing political priorities, creating the basic ground conditions and environment for business development is of increasing importance. Indeed, there is a growing body of opinion that the apparent randomness and uncertainty of economic change and business start-ups indicates that public policy is most effective if it provides for the maximum ease of development, innovation, adaptation and change and sets a climate of receptivity and flexibility. This approach creates a conducive environment for expansion, a supportive climate for innovation and risk and an incubator environment for research, development and commercial growth.

- The two approaches are complementary. The balance achieved and the resources allocated to each must form part of a purposeful economic development strategy.

PART 3

RECOMMENDATIONS

PART 3 - RECOMMENDATIONS

While this project was not charged with the preparation of any marketing or economic development strategies, there are several important recommendations from the conclusions which impinge on Edmonton's future initiatives in community economic development.

1. It is recommended that the City of Edmonton adopt this Report, through the Advisory Committee, as the authoritative statement on Edmonton's urban economic base, its status and prospects.

2. It is recommended that the Conclusions set out in the Report, and the associated implications, be endorsed as an agenda for follow-up action.

3. It is recommended that this Report be widely circulated by the City to all interested parties involved in the ongoing development of the urban economy.

4. It is recommended that the Mayor's Office take a leading role in working with the Economic Development Authority to respond in full to the Conclusions of this Report.

5. It is recommended that the Edmonton Economic Development Authority be charged with the preparation, management and implementation of the strategic economic development program as set out in the Conclusions of this Report.

6. It is recommended that the City play an active role in the development and implementation of a strategic program for economic development.

7. It is recommended that the first order of priority for the City and the Edmonton Economic Development Authority be the amelioration of persistent unemployment in the community which is expected in the 1985 to 1991 period.

8. It is recommended that the Corporate Forecasting Group of the City's Planning and Building Department, assisted by the Edmonton Economic Development Authority, continue as the central source for the development of the urban economic data base and that continuing data base refinement and analysis of the City's economic structure, prospects and competitive opportunities be conducted through this Group.

9. It is recommended that future economic development strategies achieve a balance in terms of:

   (a) focused prospecting for industries and services linked to the Edmonton region's present industries, in terms of inputs and outputs (i.e., the procurement/by-product or linkage approach); and

   (b) an approach focussing on the creation of a more general environment which is highly conducive to new industry entrants, innovation, expansion, venture capital developments, technological transfer and adaptation, young entrepreneurs, risk-taking and joint ventures (i.e., a "seed bed" or incubator approach favourable to the nurturing of <u>all</u> industries in today's climate of flux).

10. It is recommended that the generalized identification of opportunity industries and sectors, as set out in this Report, be subjected to ongoing scrutiny and assessment and that they, and other sectors, be further detailed and form part of the focussed marketing thrust of the City's development efforts.

11. It is recommended that the following general areas form an explicit part of the economic development strategy:

   (a) the nurturing and securing of Edmonton's present economic base;

   (b) the securing of northern Canada economic opportunities; and

(c) the development of export-based industries and services.

12. It is recommended that the particular economic development priorities enunciated by the Federal and Provincial governments be the focus for collaborative initiatives on the part of the City of Edmonton and these governments.

APPENDICES

APPENDIX A
Sources

PART 2

Sources

Figure 1: Index of Real GDP Growth Canada and Alberta, 1973-1984.

Source: Statistics Canada, National Income and Expenditure Accounts: The Annual Estimates, 1969-1983, Catalogue 13-201, Alberta Bureau of Statistics, Alberta Economic Accounts, 1983, January 1985.

Figure 2: Real Gross Domestic Product Per Capita, 1973-1984.

Source: Statistics Canada, National Income and Expenditure Accounts: The Annual Estimates, 1969-1983, Catalogue 13-201, Alberta Bureau of Statistics, Alberta Economic Accounts, 1983, January 1985.

Figure 3: Alberta Real GDP By Industry Division, 1971-1983.

Source: Alberta Bureau of Statistics, Alberta Economic Accounts, 1983, January 1984. See Appendix B, Note 1 regarding the calculation of Real GDP by industry division.

Figure 4: Alberta Real GDP Growth, 1971-1983.

Source: Same as Figure 3.

Figure 5: Investment By Industry, 1971-1983.

Source: Statistics Canada, Private and Public Investment in Canada: Outlook, Catalogue 61-205; Mid-Year Review, Catalogue 61-206.

Figure 6: Alberta Employment Impact Per $10M ($1984) Energy Investment.

Source: Corporate Forecasting Group, Planning and Building Department, City of Edmonton.

Figure 7: Alberta GDP And Employment Growth Share By Industry, 1971-1981.

Source: Alberta Bureau of Statistics, Alberta Economic Accounts 1983, January 1984; Statistics Canada, 1981 Census of Canada, Population Economic Characteristics: Alberta, Catalogue 93-969.

Figure 8: Unemployment Rates, 1973-1984.

Source: Statistics Canada, Labour Force Annual Averages, 1975-1983, Catalogue 71-529; Historical Labour Force Statistics, Catalogue 71-201.

Figure 9: Unemployment Rates, July 1984 - June 1985.

Source: Statistics Canada, Labour Force Annual Averages, 1975-1983, Catalogue 71-529; Historical Labour Force Statistics, Catalogue 71-201.

Figure 10: Labour Force Participation Rates, 1975-1984.

Source: Same as Figure 9.

Figure 11: Edmonton Employment, 1984.

Source: Statistics Canada, Employment Earnings and Hours, Catalogue 72-002.

Figure 12: Edmonton Average Weekly Earnings, February, 1985.

Source: Statistics Canada, Employment Earnings and Hours, Catalogue 72-002.

Figure 13: Edmonton Average Weekly Hours for Hourly Paid Employees, February, 1985.

Source: Same as Figure 12.

Figure 14: Share of Alberta Manufacturing Value Added, 1981.

Source: Alberta Bureau of Statistics, Principal Manufacturing Statistics by Industry, Alberta, Edmonton City, CMA, 1981.

Figure 15: Edmonton Employment Impacts Per $10M ($1984) Energy Investment.

Source: Corporate Forecasting Group, Planning and Building Department, City of Edmonton.

Figure 16: Job Creation Per 1,000 Population Increase, 1971-1981, 1981-1984.

Source: Statistics Canada, 1981 Census of Canada Population Economic Characteristics: Alberta, Catalogue 93-969; Statistics Canada, Employment Earnings and Hours, Catalogue 72-002; Annual Civic Census, City of Edmonton.

Figure 17: Population Increase, 1972-1983.

Source: Edmonton: Annual Civic Censuses 1972-1983.

Calgary: City of Calgary Planning Department (by Phone).

Urban Alberta: Alberta Ministry of Municipal Affairs, Municipal Services (by Phone). Figure for 1972 is an estimate by Corporate Forecasting.

Figure 18: Retail Trade Receipts Per Capita, 1971-1982.

Source: Alberta Bureau of Statistics, Alberta Retail and Service Trade Statistics, annual 1971-1982; Alberta Statistical Review, 1971-1982.

Figure 19: Edmonton Job Creation, 1971-1981.

Source: Statistics Canada, 1971 Census of Canada, Industries: By Sex for Census Metropolitan Areas, Place of Residences and Place of Work, Catalogue 94-742. Statistics Canada, 1981 Census of Canada, Population Economic Characteristics: Alberta, Catalogue 93-969.

Figure 20: Edmonton Job Changes, 1981-1984.

Source: Statistics Canada, 1981 Census of Canada, Population Economic Characteristics: Alberta, Catalogue 93-969; Corporate Forecasting Unit, Planning and Building Department, City of Edmonton.

Figure 21: Edmonton Employment, March 1983 - March 1985.

Source: Statistics Canada, Employment, Earnings and Hours, Catalogue 72-002.

Figure 22: Edmonton Service Sectors Employment, March 1983 - March 1985.

Source: Same as Figure 21.

Figure 23: Western Cities Head Offices, 1978-1984.

Source: Financial Post 500, 1978-1985 (only the first 300 firms were examined).

Figure 24: Edmonton's Share of Northern Air Travel, 1971, 1976, 1982.

Source: Statistics Canada, Air Passenger Origin and Destination, Catalogue 51-204.

Northern Communities: Fort McMurray, Fort Smith, Fort Nelson, Inuvik, Norman Wells, Yellowknife, Whitehorse
Southern Cities: Edmonton, Vancouver, Toronto, Winnipeg, Regina, Calgary

Figure 25: Edmonton Vacancy Rates, 1977-1984.

Source: Canada Mortgage and Housing Corporation, Rental Market Survey, Semi-annual; Macauley, Nicolls, Maitland International, Edmonton Downtown Office Survey, quarterly.

Figure 26: Productivity Performance, 1975-1983.

Source: Alberta Bureau of Statistics, Alberta Economic Accounts, 1983, January 1984; Statistics Canada, Gross Domestic Product By Industry; Catalogue 61-213, 1983; 1981 Census of Canada, Population Economic Characteristics: Alberta, Catalogue 93-969.

Figure 27: Personal Savings Rate, 1972-1983.

Source: Alberta Bureau of Statistics, Alberta Economic Accounts, 1983, January 1985; Canada Department of Finance, Economic Review, April 1985.

Figure 28: Edmonton Average Household Income, 1978-1984.

Source: Corporate Forecasting Group, Planning and Building Department.

Figure 29: Edmonton Average Business Tax Levy Compared to Consumer Prices, 1977-1985.

Source: Calculated from City of Edmonton Financial Statements. Statistics Canada, The Consumer Price Index, Catalogue 62-001.

Figure 30: Petroleum Industry Expenditures, 1974-1984.

Source: Alberta Economic Development Department, Alberta Industry and Resources, 1974-1984.

Figure 31: Edmonton Business Premises, 1977-1985.

Source: City Assessor's Office, City of Edmonton.

Figure 32: Inflation Rates, June 1984 - May 1985.

Source: Statistics Canada, Consumer Price Index, Category 2-001.

Figure 33: Economic Growth Forecast, 1977-1986.

Source: Statistics Canada, National Income and Expenditure Accounts: The Annual Estimate, Catalogue 13-201, 1969-1983; Alberta Bureau of Statistics, Alberta Economic Accounts, 1983, January 1985; City of Edmonton, City Forecast Committee, "Socio-economic Forecasts 1985-1990", May, 1985.

Figure 34: Match Between Job Supply and Potential Job Demand, 1981-1991.

Source: Corporate Forecasting Group, Planning and Building Department.

Figure 35: Edmonton Job Distribution, 1981, 1984, 1991.

Source: Statistics Canada, 1981 Census of Canada, Population Economic Characteristics: Alberta, Catalogue 93-969; Corporate Forecasting Group for 1984 estimates and 1991 forecasts.

Figure 36: Edmonton Building Permits, 1979-1984.

Source: Planning and Building Department, the City of Edmonton.

Figure 37: Cumulative Value of Building Permits, 1984-1985.

Source: Planning and Building Department, the City of Edmonton.

APPENDIX B
Notes

NOTE 1

Source of Real GDP figures (Constant $1971) for Alberta.

Alberta GDP by industry division in current dollars are from Alberta Economic Accounts, 1983, Table 13, published by Alberta Bureau of Statistics. Alberta GDP by industry division in 1971 constant dollars for each industry are obtained by deflating the above data using the general Alberta GDP implicit price indexes contained in the same publication, Table 4. These estimates of Alberta GDP by industry are therefore different from those estimates prepared by the Conference Board of Canada where a different price deflator is used for each industry to derive their constant dollar values. Alberta has an open and small economy dominated by the resources industry which experienced tremendous increases in its prices and values over other industries during the 1971-1983 period. Estimates presented in this report reflect this particular nature of the economy and the importance of the energy industry in the Alberta economy.

NOTE 2

Source of Employment Data.

Employment data used in this report for 1971 and 1981 are from Canada Census. Alberta employment by industry for 1983-1984 are from Statistics Canada's Labour Force Survey, Catalogue No. 71-001. Edmonton employment by industry for 1983-1984 are from Statistics Canada's Employment, Earnings and Hours, Catalogue No. 72-002 and adjusted for consistence with the total employment data contained in the Labour Force Survey.

NOTE 3

The Edmonton Census Metropolitan Area includes the City of Edmonton, St. Albert, Fort Saskatchewan, Morinville, Gibbons, Bon Accord, Legal, Strathcona County No. 20, Sturgeon M.D. 90, Alexander Reserve No. 134 and Redwater.

APPENDIX C

Classification of Industry Sectors

AGRICULTURAL AND RELATED SERVICE INDUSTRIES

- Agricultural Industries
- Service Industries Incidental to Agriculture
- Fishing and Trapping Industries

RESOURCES INDUSTRIES

- Logging and Forestry Industries
- Mining, Quarrying and Oil Well Industries

MANUFACTURING INDUSTRIES

- Food and Beverage Industries
- Furniture and Fixture Industries
- Wood Industries
- Paper and Allied Products Industries
- Printing, Publishing and Allied Industries
- Primary Metal Industries
- Fabricated Metal Products Industries
- Machinery Industries
- Non-metallic Mineral Products Industries
- Refined Petroleum and Coal Products Industries
- Chemical and Chemical Products Industry
- Other Manufacturing Industries

CONSTRUCTION INDUSTRIES

- Building, Developing and General Contracting Industries
- Industrial and Heavy (Engineering) Construction Industries
- Trade Contracting Industries
- Service Industries Incidental to Construction

TRANSPORTATION, COMMUNICATION AND OTHER UTILITY INDUSTRIES

- Transportation Industries
- Pipeline Transport Industries
- Storage and Warehousing Industries
- Communication Industries
- Other Utility Industries

TRADE INDUSTRIES

- Wholesale Trade Industries
- Retail Trade Industries

FINANCE, INSURANCE AND REAL ESTATE INDUSTRIES

- Deposit Accepting Intermediary Industries
- Consumer and Business Financing Intermediary Industries
- Investment Intermediary Industries
- Insurance Industries
- Real Estate Operator Industries (Except Developers)
- Insurance and Real Estate Agent Industries

COMMUNITY, BUSINESS AND PERSONAL SERVICES INDUSTRIES

- Education and Related Services Industries
- Health and Social Services Industries
- Business Service Industries
- Accommodation, Food and Beverage Service Industries
- Other Service Industries

GOVERNMENT SERVICE INDUSTRIES

- Federal Government Service Industries
- Provincial Service Industries
- Local Government Service Industries
- International Government Service Industries